



# KRS MEMBER NEWS

Kentucky Employees Retirement System • County Employees Retirement System • State Police Retirement System

VOLUME 23, ISSUE 1

MAY 2005

## KRS News Briefs

### 2005 Cost of Living Raise to Retirees

Retired members and beneficiaries who are drawing a benefit as of June 2005 will receive a 2.7% increase on their July retirement allowance. The increase will be given automatically and is based on the percentage increase in the annual average of the Consumer Price Index for all urban consumers.

### KRS Board of Trustees News



Governor Ernie Fletcher reappointed Walter Pagan of Wilder, Ky. to serve on the KRS Board of Trustees. Mr. Pagan is employed by Southbank Partners in Newport. This is Mr. Pagan's fourth term on the Board and he currently serves as the Board Vice-Chairperson and as Chair of the Personnel Committee. His new term will expire March 31, 2007.



Governor Fletcher also appointed Lynn Harpring of Louisville, Ky. to serve on the KRS Board of Trustees. Mr. Harpring is employed by Harpring & Pope, a financial consulting firm where he works as a financial planner. His term will expire March 31, 2007.



Patricia Ballenger of Lexington, Ky. was one of the two individuals elected to serve the next four years as the CERS representative to the KRS Board of Trustees. Mrs. Ballenger is a retired CERS member and currently operates her own public accounting firm. Her term will expire on March 31, 2008.



Vince Lang, a resident of Frankfort, Ky. was one of the two individuals elected to serve the next four years as the CERS representative to the KRS Board of Trustees. Mr. Lang is a retired CERS member and currently serves as Executive Director of the Kentucky County Judge/Executive Association. His term will expire on March 31, 2008.

## Making Your Voices Heard

*By Bill Hanes, Executive Director of Kentucky Retirement Systems*

As public employees and retirees, many of you are well aware of the significant changes to health insurance that surfaced as a proposal for 2005. Changes were unveiled that would have ultimately reduced insurance benefits and increased out-of-pocket expenses for those of you who are active and retired public employees participating in the state administered health plans. However, the proposed changes never became a reality. Why? Because many of you, along with other public employees and retirees, made your collective voices heard in Frankfort and influenced the Governor to call the legislature into a Special Session to deal with the issue. The legislature and Governor responded by appropriating additional funds to restore benefit levels and out of pocket expenses for the 2005 plan year.

In this edition of the Member Newsletter, I want to discuss another issue that is very important and likewise needs your attention—the continued budget reductions to the employer contributions that fund your future retirement and medical benefits. I hope that you will take the time to read this article, but more importantly, I am pleading that you once again make your voices heard in Frankfort before it is too late.

### How Are Benefits Funded?

Before we begin discussing the details and effects of the rate reductions, it is important for you to understand your retirement plan and how it is funded. The plan in which you participate is a defined benefit plan. These plans pay benefits based upon a formula, rather than an account balance. Funding for your plan benefits is provided through three sources: the contributions you pay while employed, the contributions paid by your employer, and return on investments. The employee contribution rates, currently 5% for non-hazardous employees and 8% for hazardous duty

*continued on page 2*

- |   |  |
|---|--|
| 1 | KRS NEWS BRIEFS                                |
| 1 | MAKING YOUR VOICES HEARD                       |
| 4 | 2005 GENERAL ASSEMBLY                          |
| 5 | RESUMES SOUGHT FOR KERS BOARD MEMBERS ELECTION |
| 6 | 2005 ONE-ON-ONE CONFERENCES                    |
| 6 | 2005 PRE-RETIREMENT SEMINARS                   |
| 7 | ONLINE PURCHASE ESTIMATOR                      |
| 7 | FREQUENTLY ASKED QUESTIONS                     |

employees, are set by state law. Employer contribution rates vary each year based upon the recommendations of our consulting actuary to maintain the financial soundness of the Systems. It's important to note that over the last twenty-five years, a majority of Systems' revenue, more than 60%, has been generated by excellent return on investments. Employee contributions make up 16.5% and employer contributions comprise the remaining 23% of Systems' revenue.

### **How Much Have Rates Been Reduced?**

For each biennium, the KRS Board provides recommended employer contribution rates to the Governor and the General Assembly for inclusion in the state budget. These rates are calculated by the Systems' independent consulting actuary to maintain the financial integrity of the Systems in order to fund the benefits you have earned for retirement. Instead of funding the state employer rates at the level recommended by KRS, the Governor and the General Assembly have chosen to reduce contribution rates in order to meet other state obligations. How much of a reduction has been made? In the current biennium, budgeted reductions have and will result in a \$213 million shortfall for KERS and SPRS combined over the two year period. You should be aware that this is not the first time employer contribution rates have been reduced to balance the budget. In six of the last twelve fiscal years, the state has reduced the employer contribution rates for KERS and SPRS. When this budget biennium is complete, the reductions will have occurred in 7 of the last 13 fiscal years and for the fourth year in a row. The cumulative effect of all reductions in today's dollars amounts to \$349.6 million in lost contributions and investment opportunities.

Ultimately, the impact will be much greater in the long run, considering the compounding effect over the years ahead. Much like a home mortgage where the payments over the life of the loan are significantly greater than the original price of the home, rate reductions today will require even greater contributions tomorrow to make up for lost investment returns.

### **How Do These Reductions Affect the Financial Health of the Systems?**

The rate reductions attack the financial health of the Systems on several fronts. First, the reductions erode the financial stability of the plans by reducing funding levels. As an example, let's look at the KERS non-hazardous plan where the rate reductions have been the most significant. As of June 30, 2004, the KERS non-hazardous pension fund had a funding level of 85.1% while the insurance fund had a funding level of 25.7%. A year earlier, the funding levels were 97.4% and 26.5% for

these two funds respectively. What does this mean to the Systems and to our members? To oversimplify, it means for every dollar in pension benefits state employees have earned, KERS only has 85 cents in assets as of 2004. Likewise, for every dollar in insurance benefits earned, the Systems held less than 26 cents in assets. This value has fallen in recent years and will likely fall again next year due in part to the continued employer rate reductions as well as less than favorable returns from the market in 2000-2003. Secondly, since the burden of paying for today's benefits cannot be removed, it will simply be passed onto future generations of taxpayers in the form of increased employer contributions. Last of all, the rate reductions create cash flow problems for KERS and SPRS by placing additional strains on investments to meet retiree payroll obligations. The Retirement Systems plans for payment of benefits and investment of assets based on employer contributions being paid in full. Lower than anticipated contributions can lead to negative cash flows, leaving the Systems with the only choice of liquidating assets to pay benefits.

### **Do These Rate Reductions Affect Your Retirement Benefits?**

We certainly hope not. When you began your career in public employment, you were "promised" a certain level of benefits at retirement. This promise is considered an inviolable contract of the Commonwealth and is protected by not only state law but also the Kentucky and Federal Constitutions. However, we should all worry that the scope of the contractual obligation may be challenged at some point in the future if the legislature is faced with significant costs due to their failure to adequately fund the employer contribution rate today.

Because System assets and employer contribution rates are administered and accounted for separately, rate reductions in KERS and SPRS do not affect the financial stability of the CERS funds.

### **Should You Be Concerned?**

Yes, rate reductions are an issue about which all members should be concerned. If employer contributions are not adequately funded, then trust dollars meant to pay for your benefits in the years to come must be spent today. The last fiscal year shows some telling numbers about the future the Systems will be facing if the state does not restore funding to adequate levels. As of June 2004, the Systems had net plan assets of \$13.5 billion. This seems substantial until you compare it against the benefit payments made last year-nearly \$1 billion. This amount of benefits paid has nearly doubled over the last 5 years and will continue to grow significantly as the "bubble" of Baby Boomers retires in the near future. If the

*continued on page 3*

trends of reducing contribution rates and growth in benefit payments continue, the sustainability of the Systems' trust will be put at risk.

### **How Can You Make Your Voices Heard?**

The budgetary decisions facing the Governor and General Assembly are very difficult, and we understand the tremendous financial constraints under which they must operate. The fact that there is a limited amount of money to be allocated among many deserving state programs all but insures that there will be "winners" and "losers" in this budgeting process. Unfortunately, Kentucky Retirement Systems has been on the losing side of the equation too many times in recent years.

For the sake of the future financial stability of the Systems and your retirement benefits, **this trend must stop**. The benefits promised to you and the other members of Kentucky Retirement Systems by the legislature are no less important and in many cases, we believe, more important than other commitments made in past sessions. For example, during the 2005 session, debt service was increased to unparalleled levels to fund new projects and new programs at the expense of not adequately funding the employer contribution rates. The consequence of these new programs will be even more competition for General Fund dollars in future sessions, as the new debt service will require greater commitments in the long run.

You can help by contacting the Governor's office and your local legislators in the coming months to request funding of employer contribution rates in the next biennial budget at the level recommended by the KRS Board. The Governor's office will begin reviewing budget matters for state government in July of this year, and an estimate of the employer rates requested by KRS for the next biennium will be provided to the Governor's office and the legislature in mid-September.

The decision by the Governor to include or reduce the rates requested will be presented to the legislature in early 2006. Once the budget has reached this point, changes will be difficult considering that legislators will be forced to reduce from other budget sources in order to accommodate an increase to the Retirement Systems' funding. For this reason, it is important that you contact the Governor's office and your legislators now and in the coming months before the budget process begins and is completed. You should ask for full payment of contribution rates at the level recommended by the KRS Board of Trustees. I would also ask that you continue to follow-up with the Governor's office and your local legislators on this issue. Keep in mind that both the Governor's office and the legislature will make decisions based upon the level and persistency of your demands

and how these demands impact their overall constituency. Contact information for the General Assembly and the Governor is provided below.

Although the KRS Board and staff are appreciative of the generous benefits promised to our members in past sessions, by law the legislature executed a contractual promise to pay for these benefits when they were enacted. As fiduciaries of your retirement plan, it is our responsibility to protect the trust and to ensure the legislature follows through with both promises. We are charged by law to act in the exclusive interests of our membership and will continue to do so with regard to retirement funding. However, the time has now come for you to act and take a stand by expressing your concerns to the Governor and the legislature. I urge you to take the opportunity to make your voices heard on this very important issue affecting your retirement benefits.

*"...the time has now come for you to act and take a stand by expressing your concerns to the Governor and the legislature."*

#### **Contacting the Governor's Office**

For more information on contacting the Governor and his staff, please review the information below.

##### **By Phone**

You can leave a message for the Governor by dialing 502-564-2611.

##### **By Mail**

Letters should be addressed to:  
Governor Ernie Fletcher  
700 Capital Avenue, Suite 100  
Frankfort, KY 40601

##### **Online Information**

Visit the Governor's web site at  
<http://www.governor.ky.gov/contact.htm> for additional contact information.

#### **Contacting the General Assembly**

For more information on contacting your legislator, please review the information below.

##### **By Phone**

You can leave a message for your legislator by dialing 1-800-372-7181.

##### **By Mail**

Mail a letter to a legislator C/O:  
Legislative Research Commission  
700 Capitol Ave.  
Frankfort, KY. 40601

##### **Online Information**

Visit the Legislative Research Commission (LRC) web site at <http://lrc.ky.gov/whoswho/whoswho.htm>.

## 2005 General Assembly

The 30-day session of the 2005 General Assembly came to a close on Monday, March 21<sup>st</sup>. The primary concerns during the shortened session were the passage of the Executive Branch budget and a state tax reform package. Legislators accomplished both tasks by enacting HB 267 and HB 272. Each of these bills contains legislation of importance to KRS members. Legislators also passed HB 299, which amends language related to service purchases and participation by legislators and judges. A summary of the legislation enacted by the 2005 General Assembly is provided below.

### Reduced Contribution Rates

Although legislation passed during the 2004 Special Session effectively reduced the KERS and SPRS employer contribution rates for the current biennium, the rate reductions were also incorporated in HB 267, the Executive Branch Budget Bill, during the 2005 regular session. As mentioned in the previous article, the reductions will result in an estimated \$213 million shortfall for KERS and SPRS over the two year budget period.

### Retiree Health Insurance

HB 267 also included provisions that will have a bearing on retiree health plan benefits and the cost of dependent coverage in plan year 2006. Within the bill, the legislature confirmed their intent to maintain the same level of benefits, co-payments, deductibles, and other features in the 2006 calendar year plan as currently provided in the 2005 calendar year plan for participants in the State Group Health Insurance Plans. As a result, those retirees and beneficiaries who will have health insurance coverage through the State Group in 2006 should have the same level of plan benefits that is currently provided in calendar year 2005.

The bill also appropriated funds to provide a health insurance subsidy to KRS retirees who participate in the State Group Health Insurance plans and who select couple, parent plus, or family coverage. Based upon KRS projections, the subsidy should be sufficient to provide the same cost for dependent coverage as provided to active state and local school board employees. However, it is important to note that funding for the subsidy is provided through June 2006. At that time, additional funding will be needed to provide the same cost for dependent coverage for the remainder of the plan year. You may want to contact the Governor's office and your local legislators to ensure that continued funding for the subsidy is provided in the next biennial budget.

### State Tax Law Changes

HB 272, the comprehensive state tax reform package, was signed into law on March 18, 2005. One provision of

the bill was to freeze the pension exclusion at \$41,110 for years beginning after December 31, 2005 on all taxable retirement income. The effect of this change on your KRS benefits will depend upon when you earned your service credit and the level of retirement income from all sources you receive.

If you retired on or before January 1, 1998, the changes to the pension exclusion do not apply to your KRS benefits. Under state law, all benefits attributable to service earned prior to January 1, 1998 are exempt from Kentucky state income taxes.

If you retired after January 1, 1998, the portion of your benefits attributable to service earned on or after January 1, 1998 is considered taxable retirement income and the changes to the pension exclusion may apply. State law allows individuals to exclude a substantial portion of taxable retirement income from all sources, including the taxable portion of KRS benefits. Each year, this exclusion has been increased by the change in the Consumer Price Index for all urban consumers. Under the provisions of HB 272, the exclusion will no longer be adjusted annually but will remain set at \$41,110 for taxable years beginning after December 31, 2005. Provided below are two examples how the new pension exclusion will work in future years. You may wish to contact a qualified tax professional to determine how this change will affect you directly.

#### Example One: New Pension Exclusion

Jane was employed by the state in 1970. She retired in December 2004 with 34 total years of actual service. Her KERS pension for the 2006 calendar year is \$30,000. She also received \$15,000 in benefits from Deferred Compensation.

1. Since Jane earned 7 of her 34 years of service credit on or after January 1, 1998, the portion of her \$30,000 KRS benefit subject to state income taxes would be calculated as follows:  

$$\Rightarrow 7 \text{ years} \div 34 \text{ years total} = 20.5882\%$$

$$\Rightarrow \$30,000 \times 20.5882\% = \$6,176$$
2. When the \$6,176 in taxable KRS benefits is added to the \$15,000 in taxable Deferred Compensation benefits, the total amount of pension income subject to state income tax is \$21,176.
3. Under the new tax reform package, Jane will be able to exclude up to \$41,110 in taxable pension income from state income taxes. Since Jane's taxable pension income of \$21,176 is less than the maximum exclusion of \$41,110, her tax liability at the state level for her pension income is \$0.

continued on page 5

### Example Two: New Pension Exclusion

John was employed by the county in January 1990. He will retire in December 2017 with 27 total years of actual service. His KRS benefit for the 2017 calendar year is \$60,000. He will also receive \$10,000 from Deferred Compensation.

1. Since John will earn 20 of his 27 years of service credit on or after January 1, 1998, the portion of his \$60,000 KRS benefit subject to state income taxes would be calculated as follows:  
 $\Rightarrow 20 \text{ years} \div 27 \text{ years total} = 74.0741\%$   
 $\Rightarrow \$60,000 \times 74.0741\% = \$44,444$
2. When the \$44,444 in taxable KRS benefits is added to the \$10,000 in taxable Deferred Compensation benefits, the total amount of pension income subject to state income tax is \$54,444.
3. Under the new tax reform package, John will be able to exclude up to \$41,110 in taxable pension income from state income taxes. Since John's taxable pension income of \$54,444 is greater than the maximum exclusion of \$41,110, he will be required to pay state income taxes on \$13,334, the difference between the two values.

### State University Service Purchase

The provisions of HB 299 loosened requirements for purchasing service with a state supported university. Under the new law, employees participating and vested in KERS, CERS, and SPRS will be able to purchase service with a state supported university provided they did not participate in a *defined benefit plan* during their period of employment with the university. Prior to the passage of HB 299, individuals could not purchase this type of service if they participated in either a *defined benefit plan* or a *defined contribution plan*.

The Retirement Systems will begin processing state university purchase requests under this new provision on June 20, 2005. Please note the purchase of state university service is limited to the University of Kentucky and the University of Louisville since all other state-supported universities currently participate in KERS.

### New Service Purchase

KRS members who were employed with the City of Lexington and participated in the City's Policemen & Firefighters Retirement Fund may be eligible to purchase additional service as a result of legislation enacted during the 2005 General Assembly. Under the provisions of HB 299, hazardous duty employees participating and vested in one of the Systems administered by KRS can purchase service for full-time employment with an urban-county

government provided the employment meets the definition of hazardous duty under KRS 61.592. The period of service being purchased must qualify as regular full-time employment and the member must show that he has received a refund or is not eligible for a retirement benefit from the period of urban county government service. The effective date of this legislation will be June 20, 2005.

### Legislators & Judges Participating in KERS

Under HB 299, an active legislator who was entitled to elect membership in the Legislators Retirement Plan (LRP) but who failed to do so within 30 days of taking office may elect to participate in LRP no later than August 31, 2005. If the legislator elects membership in LRP, participation in the Kentucky Employees Retirement System (KERS) will stop. Service earned as a legislator and credited to KERS may be transferred to LRP if the member pays the difference, if any, between the contributions and interest transferred from KERS and the actuarial cost of the transferred service.

Legislators participating in KERS will also begin paying contributions and accruing benefits based upon wages reported on the federal W-2 form rather than an assumed salary of \$27,500 annually.

In addition, any judge or justice who currently participates in KERS and was entitled to membership in the Judicial Retirement Plan (JRP), may elect to participate in JRP no later than August 31, 2005. If the judge or justice elects membership in JRP, participation in the Kentucky Employees Retirement System (KERS) will stop. Service earned as a judge and credited to KERS may be transferred to JRP if the member pays the difference, if any, between the contributions and interest transferred from KERS and the actuarial cost of the transferred service.

## Resumes Sought for KERS Board Members Election

### Request for Nominations

In early 2006, employees, inactive members and retired members of the Kentucky Employees Retirement System (KERS) will vote for two individuals to serve on the KRS Board of Trustees.

Per Kentucky Revised Statutes 61.645, the Board may place three names on the ballot for each position to be filled. The Board of Trustees is asking for names of members who would be interested in running for the two KERS trustee positions.

### Eligibility Requirements for KERS Trustees

To be eligible to serve as a KERS Board Trustee, an individual must be an employee, inactive member, or retired member of KERS.

continued on page 6

continued from page 5

Individuals who are currently serving as elected or appointed city, county, or district officers should also be aware of the constitutional and statutory provisions that may prevent them from simultaneously serving on the Board of Trustees. Kentucky Revised Statutes 61.645 and Section 165 of the Constitution of Kentucky establish when a constitutional incompatibility may exist. If you are concerned that a constitutional incompatibility may exist between a position you currently hold and membership on the KRS Board of Trustees, you may wish to contact the Attorney General's office for further guidance.

### **Submitting a Request for Nomination**

If you are interested in serving on the Board, please submit a resume to the Retirement Systems no later than August 1, 2005. Please be sure to include your Social Security number with any information you submit to the Retirement Systems.

The Board of Trustees will select six names (three for each available position), assuming enough resumes are received. These names will appear on the ballot to be mailed to KERS members in early 2006.

*Note: Resumes received at the Retirement Systems after August 1, 2005 will not be considered for nomination by the Board at the quarterly meeting in August.*

## **One-on-One Conferences**

The Retirement Systems will once again be holding one-on-one conferences at various locations throughout the state. These sessions give members the opportunity to meet individually with a Retirement Counselor to discuss retirement estimates, service purchases, and questions regarding individual retirement accounts. To reserve an appointment for a particular conference, please call the Employee Call Center at 1-800-928-4646, extension 4522. A schedule of the remaining 2005 one-on-one conferences is provided below.

## **Pre-Retirement Seminars**

Kentucky Retirement Systems will also be offering a comprehensive Pre-Retirement Education Program (PREP) in 2005. The purpose of the program is to help you transition towards your retirement years by providing the education and tools you need. This program features professional speakers to address many of the financial

### **2005 One-On-One Conference Schedule**

<b>Seminar Date</b>	<b>Conference Location</b>	<b>Call For Appointment</b>
May 9 - 12	<i>Big Sandy Area Development District</i> 100 Resource Drive Prestonsburg, KY 41653	Beginning April 12, 2005
June 13 - 16	<i>Somerset Community College</i> Laurel North Campus - Room 247 100 University Drive London, KY 40741-6737	Beginning May 10, 2005
July 11 - 14	<i>W KY Community &amp; Technical College</i> Main Campus Crounse Hall - Room 101 4810 Alben Barkley Drive Paducah, KY 42002	Beginning June 14, 2005
Aug 8 - 11	<i>Hopkinsville Community &amp; Tech College</i> Technology Center 203A/203B 720 North Drive Hopkinsville, KY 42241-2100	Beginning July 12, 2005
Sept 12 - 15	<i>Bowling Green-Warren Co. Health Dept</i> Upstairs Conference Room 1109 State Street Bowling Green, KY 42101-2648	Beginning August 9, 2005
Oct 17 - 20	<i>Government Center - Community Room C</i> 8100 Ewing Blvd. Florence, KY 41042-7511	Beginning September 7, 2005
Nov 14 - 17	<i>City Commission Room</i> 216 Bridge Street Maysville, KY 41056-1208	Beginning October 18, 2005
Dec 12 - 15	<i>Lake Cumberland Community Action</i> 23 Industry Drive Jamestown, KY 42629-0830	Beginning November 15, 2005

**Remember: You must make an appointment for the One-On-One Conferences.** continued on page 7

continued from page 6

and legal considerations you will be facing, including:

- ❑ **Your KRS Benefits:** Presented by KRS staff, this session provides an overview of retirement benefits provided to you as a member of Kentucky Retirement Systems. Major issues discussed include retiree health insurance benefits, understanding retirement payment options, the retirement application process and purchasing creditable service.
- ❑ **Estate Planning:** Guest speakers will be on hand to discuss the importance of having an up-to-date will, power of attorney, planning for death taxes, and the selection of an attorney and an executor.
- ❑ **Social Security and Medicare:** A general overview of Social Security and Medicare benefits presented by the Social Security Administration (SSA).
- ❑ **Transition to Retirement:** The elements of a successful transition to retirement will also be discussed, including mental preparation for your changing role, developing new networks, the effects of retirement on your personal relationships and planning fulfilling involvements and activities.

As a member of KRS, you are encouraged to attend a Pre-Retirement Education Program (PREP), particularly if you are within ten years of retirement. For your convenience, the PREP program will be offered at various locations throughout the state in 2005. A list of dates and locations are listed below.

<b>2005 Pre-Retirement Seminars</b>	
<b><u>Date</u></b>	<b><u>Location</u></b>
Friday, June 24	Gateway Community & Technical College Edgewood Campus Auditorium - Room 101 Edgewood, KY 41017-3435
Friday, July 15	West Kentucky Comm. & Tech. College Main Campus Crouse Hall – Room 101 4810 Alben Barkley Drive Paducah, KY 42002
Thursday, July 21	Frankfort Convention Center 405 Mero Street Frankfort, Kentucky 40601
Thursday, July 28	Hazard Community & Technical College Hazard Campus 1 <sup>st</sup> Federal Center – Room 123A 1 Community College Drive Hazard, KY 41701
Thursday, August 4	The Carroll Knicely Conference Center WKU South Campus Room 163B 2355 Nashville Road Bowling Green, KY 42101

For more information on the Pre-Retirement Education Program (PREP) including registration, please visit the KRS web site at [www.kyret.com](http://www.kyret.com), or contact the Retirement Office by phone at (502) 564-4646 or toll free at (800) 928-4646 and enter extension 4522.

**REMEMBER: PEOPLE DO NOT PLAN TO FAIL, BUT OFTEN PEOPLE SIMPLY FAIL TO PLAN.**

## Online Purchase Estimator

If you have access to the internet, you can now estimate the cost to purchase non-qualified service with Kentucky Retirement Systems. Simply go to [www.kyret.com](http://www.kyret.com) and click on the "Online Purchase Estimator."

This program can provide you with a reasonable projection of the cost to purchase non-qualified service. Of course, the accuracy of the projected cost will depend on the accuracy of the information that you enter online.

To protect your confidentiality, the program does not link to your actual retirement account or require you to give your name, Social Security number, or other confidential information.

## Frequently Asked Questions

Listed below are a few of the most frequently asked questions members have regarding their retirement allowance.

**Q: What payment options are available for my monthly retirement allowance?**

**A:** *The Retirement Systems provides various payment options for you to choose from at retirement. This allows you to select a payment option for your monthly retirement allowance that best suits your particular needs or situation. Almost all the payment options provide you with a lifetime monthly benefit. Many of the options provide some level of benefit to your beneficiary upon your death. Still other options will allow you to receive an advance on your retirement benefits by either taking a lump-sum payment at retirement or an increased monthly benefit prior to age 62.*

**Q: Can I change the payment option for my monthly retirement allowance after I retire?**

**A:** *You cannot change the payment option once the first retirement allowance has been issued from the State Treasurer.*

**Q: Who can I name as beneficiary of my monthly retirement allowance?**

**A:** *At the time of retirement, you may name ONLY ONE PERSON, your estate, or a trust as beneficiary of your monthly retirement allowance.*

**Q: Can I change the beneficiary of my monthly retirement allowance after I retire?**

**A:** *You cannot change the beneficiary designated for this benefit once the first retirement allowance has been issued from the State Treasurer. If the beneficiary dies or*

continued on page 8



divorces the member, state law provides that the member's estate becomes the beneficiary. An estate or trust cannot be eligible for a lifetime payment upon the death of a retired member.

**Q: When will I receive my first retirement allowance check?**

*A: Initial retirement allowance checks are mailed no later than the 27th day of the month in which you begin receiving payments.*

**Q: Can I have my retirement allowance check mailed to me?**

*A: Members or beneficiaries who began receiving a monthly retirement allowance prior to August 1, 2000 are eligible to receive payment by mail or through direct deposit. Members or beneficiaries who began receiving a retirement allowance payment August 1, 2000 or after, are required to have the monthly benefit directly deposited.*

**Q: Will my retirement allowance payment increase after I retire?**

*A: Retired members and beneficiaries who are drawing a monthly retirement allowance automatically receive a Cost of Living Adjustment (COLA) on their July payment. The amount of the COLA is based upon the percentage increase in the annual average of the Consumer Price Index (CPI) and is subject to a maximum increase of 5%. Annual COLA's are not guaranteed by law and may be suspended or reduced by the General Assembly.*



[www.kyret.com](http://www.kyret.com)

KENTUCKY RETIREMENT SYSTEMS  
PERIMETER PARK WEST  
1260 LOUISVILLE ROAD  
FRANKFORT KY 40601  
1-800-928-4646

## 2005 KRS Board of Trustees

The nine-member KRS Board of Trustees is responsible for the administration and investment of funds for the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), and the State Police Retirement System (SPRS). Five of the nine board members are elected by the individual systems they represent. Three of the board members are appointed by the Governor and the Secretary of the Personnel Cabinet serves as a Board member as provided by state statute. Listed below is the 2005 KRS Board of Trustees.

**Randy J. Overstreet,**  
Chair  
*Elected by SPRS*

**Walter Pagan, Vice Chair**  
*Appointed By Governor*

**Patricia Ballenger**  
*Elected by CERS*

**Vince Lang**  
*Elected by CERS*

**Bobby D. Henson**  
*Elected by KERS*

**Susan Smith Horne**  
*Elected by KERS*

**Lynn Harpring**  
*Appointed by Governor*

**Larry Conner**  
*Appointed by Governor*

**Erwin Roberts**  
*Secretary, Personnel Cabinet*

**Enclosed: 2005 General Assembly Action**